

The Energy And Technology Committee

March 9, 2006

Senate Bill No. 567: AAC NATURAL GAS CONSUMER CHOICE

Testimony of

The Office of Consumer Counsel

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OCC has policy concerns as to the risks arising from residential natural gas choice programs. OCC has been supportive of the development of supplier choice for commercial and industrial natural gas customers in Connecticut in accordance with the appropriate regulatory standards. This effort has been successful, as alternative suppliers have a substantial portion of the commercial and industrial customer load. However, creating a program that would give residential customers a choice among natural gas suppliers creates additional critical policy concerns.

Although "competition" and "promotion of choice" are generally worthy goals, it should not be automatically assumed that a natural gas residential consumer choice program would lead to benefits for ratepayers as a whole.

The "pros" of creating a residential consumer choice program in natural gas, as OCC sees them would be:

- Giving consumers a sense of empowerment;
- Allowing consumers to choose a natural gas supplier that might give them a long-term, fixed price offering; and
- Possibly, for certain customers, a slightly lower price for the short-term.

However, the "cons" of creating such a program, based on experience in other states, would be:

- Residential natural gas consumer choice programs have led to issues with slamming (unauthorized change of a customer's supplier by a marketer) by unscrupulous marketers;
- Problems with rapid exit from the State's market by marketers, including as a result of bankruptcy.
- Problems with a marketer making an offer in Year 1 that the

marketer is not willing to stand by in, say, Year 4. Because the marketer is not tied to Connecticut in the same way as the natural gas utilities are, it can seek to evade the deals with residential ratepayers if they do not turn out well for the marketer;

- Residential natural gas consumers do not typically have the expertise to know whether a long-term deal being offered by a marketer makes financial sense, is binding on both parties, etc.
- Marketers can seek to provide a better “deal” for a small set of the most savvy and creditworthy customers, which leads to a worse “deal” for the remaining customers, not all of whom might be given a choice;
- Improper shutoffs of residential customers have occurred in other jurisdictions due to billing errors by marketers.

Senate Bill 567 would add an additional concern, in that it **prohibits minimum contract terms with a marketer**. Under this proposal, OCC does not see how the natural gas utilities would be able to continue to perform their essential, long-term supply planning function. Unless a utility knows well in advance of a winter approximately the size of the load that it is serving, such utility might arrange for less interstate pipeline capacity than is necessary, which could be disastrous. If there will be no minimum contract terms and customers can freely jump back and forth between standard service and retail marketers, OCC is concerned that the natural gas utilities’ ability to perform the essential gas supply planning function will be compromised, which could in turn compromise reliability and actually increase prices for all customers.

A lack of residential retail choice has little or no relationship to the amounts shown on residential natural gas bills in Connecticut. A retail marketer, like a natural gas utility, would need to arrange for gas from distant domestic and foreign sources. Retail choice cannot change the fact that the global natural gas commodity price is higher, which is, in turn, the reason that natural gas bills are presently higher.

Based on weighing the above “pros” and “cons” OCC respectfully suggests that, at most, the possibility of creating a residential choice program in natural gas should be studied in a docket at the Department of Public Utility Control (DPUC). This would allow evidence of all of the risks and benefits of allowing residential consumer choice to be weighed appropriately. Since this bill would not appear to allow for such a study but instead mandates adoption of a residential retail choice program, OCC cannot support this bill as written.